Dairy Situation

ECONOMICS AND STATISTICS SERVICE

U.S. Department of Agriculture

Approved by the World Food and Agricultural Outlook and Situation Board

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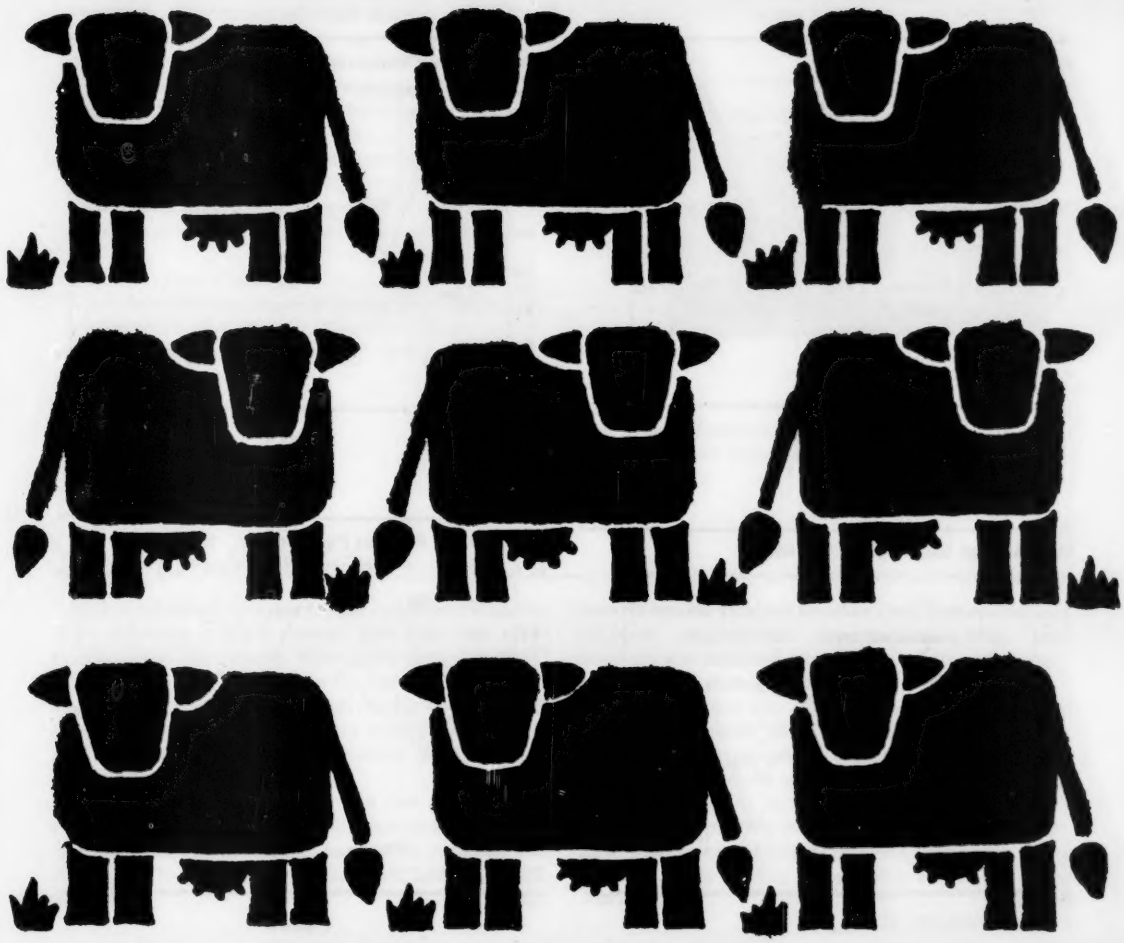
DECEMBER 1980



CURRENT SITUATION CHARTS

U.S. Milk Production by Months

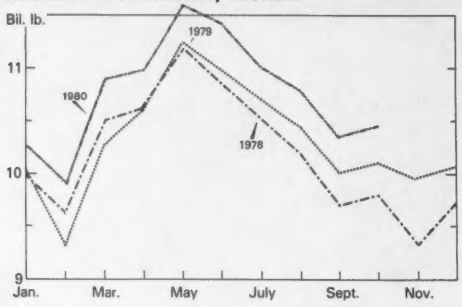


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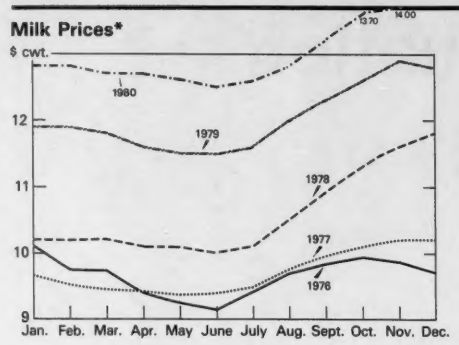
Figure 1

Milk Prices*



*U.S. average price received by farmers for deliveries to plants and dealers.

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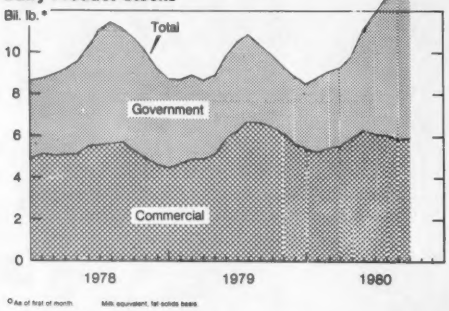
Figure 2

Dairy Product Stocks°



°As of first of month. *Milk equivalent, fat-solids basis.

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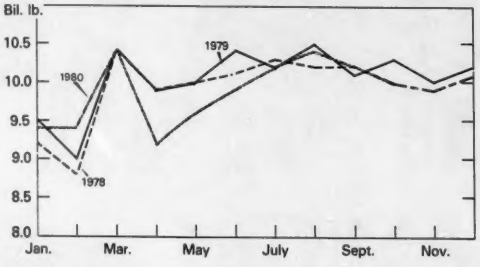
Figure 3

Commercial Disappearance of Milk in All Products*



*Milk equivalent.

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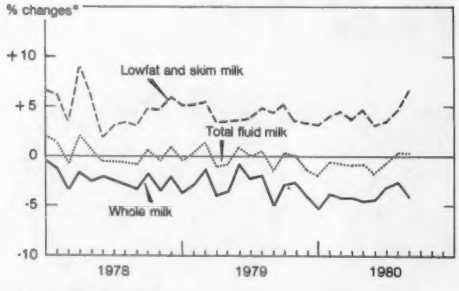
Figure 4

Daily Average Sales of Fluid Milk Items



From year earlier, adjusted for calendar composition

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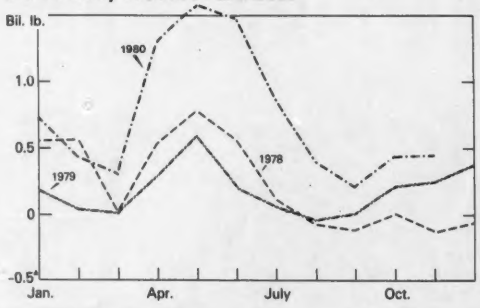
Figure 5

USDA Dairy Product Purchases*



*Net removals, milk equivalent, fat-solids basis.
^Negative figures denote domestic sales exceeded purchases.

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SUMMARY

Milk production is expected to continue rising in 1981, following a 3-1/2 percent gain this year to a record 128 billion pounds. With little change in fluid sales expected, milk available for manufacturing will also increase. Even with more favorable demand conditions, USDA purchases of dairy products under the price support program will continue heavy during most of 1981.

The dairy herd increased in size this summer and fall since culling rates have been low and a relatively large number of heifers have been retained for replacements. Income conditions for dairying have been favorable relative to other farm enterprises and off-farm employment opportunities. Milk cow numbers are expected to remain slightly above year-earlier levels through most of 1981.

Output per cow has also increased, up an average of about 3 percent for all of 1980. Gains in output per cow are expected to moderate in 1981. Feed prices sharply above a year earlier will more than offset increases in milk prices, and milk-feed price relationships in 1981 will not be as favorable as they have been in recent years. This will likely slow gains in concentrate feeding rates which could hold gains

in output per cow to about 2 percent. Therefore, 1981 milk production gains should be up 1 to 3 percent—the second record production year in a row.

Commercial stocks of butter and cheese are adequate for trade needs, and with the large supply of milk for manufacturing it is likely that wholesale butter and cheese prices this winter will remain near the support purchase price. However, these prices will advance next spring because of the April 1, 1981 mandated increase in milk support prices. Increases in farm milk and retail dairy product prices will follow.

Wholesale prices of dairy products advanced 2.3 percent from August to October and were 9.3 percent above a year ago during October. Retail dairy product prices during October were 9.1 percent above a year earlier, while the all-food retail price index was up 10.2 percent. For 1981, retail dairy prices are expected to be up 10 to 12 percent while the all-food retail index is forecast to average 10 to 15 percent higher.

The manufacturing grade milk price in November, at $12.90 per 100 pounds, was 10 percent above year-ago levels. For all of 1980, the manufacturing grade milk price will likely average $12.05—up 8.6 percent from 1979. Meanwhile, the all-milk price for November, at $14.00 per 100 pounds, was about 8-1/2 percent above last year. The all-milk price will likely average near $13.04 for the entire year—up 8.7 percent from 1979.

In 1981, farm milk prices will be affected by the April 1 support price increase, the established support level for October 1, and supply and demand. The all-milk price for next year will likely be up 10 to 12 percent. Given the expected milk production and price ranges for 1981, total cash receipts may rise 11 to 15 percent from the $16-1/3 billion expected for 1980.

Production of manufactured dairy products used 8.5 percent (850 million pounds) more milk during September-October than in 1979. Butter production expanded by a fifth while output of both American cheese and other-than-American varieties was 7.4 percent above year-earlier levels. On the strength of September sales, commercial disappearance of milk and dairy products during the July-September quarter was unchanged from a year ago. However, preliminary data indicate that use during October was down 2.4 percent—with butter off 12 percent and American cheese down 5.5 percent, while other-than-American cheese use was up 10.6 percent.

Industry holdings of dairy products on November 1 were generally below year-earlier levels. However, commercial stocks of butter were up a tenth. On November 1, commercial stocks of milkfat and solids-not-fat were down 2 percent and 10 percent, respectively. Meanwhile, on December 1, Commodity Credit Corporation (CCC) uncommitted inventories of butter were 274 million pounds, compared with 145 million last year. American cheese inventories, at 184 million pounds, were up sharply from the 20 million pounds of a year ago.

For the first 10 months of 1980, U.S. dairy product imports, on a milk equivalent basis, were 1-1/2 billion pounds, 9 percent below a year ago. However, these imports picked up substantially during September-October. Of quota import items, cheese, chocolate crumb, and dried buttermilk and whey were up sharply in September-October, while butter, ice cream, and frozen cream were lower.

World milk production for 1981 will likely be slightly larger than 1980. Stocks of dairy products will increase since world wide production may grow more than consumption.

DAIRY SITUATION

SITUATION AND OUTLOOK

PRODUCTION

Output Gains Remain Large

The milk production expansion continued in September-November. Output was up 3.6 percent from a year ago, as the number of milk cows and output per cow remained above year-ago levels. November was the 19th consecutive month of year-to-year gains in milk production.

The dairy herd expansion that began during the spring, continued into the fall (figure 7). A reduced culling rate and a large number of replacement heifers swelled November milk cow numbers to 10.885 million, 91,000 more than last year and the largest total since February 1978. The relatively large number of heifer calves being retained for herd additions has been due to the favorable milk-feed price relationships since mid-1977. The reduced culling rate was also the result of the favorable milk-feed price ratio, along with relatively low slaughter cow prices, favorable income for dairying when compared with other farm enterprises, and fewer off-farm employment opportunities.

Output per cow during September-November averaged 2.7 percent more than a year ago, compared with an average gain of 2.2 percent during July-August (figure 8). From July 1979 to June 1980 the average gain was about 3-1/2 percent. The earlier slowing in output per cow partially reflects the decline in milk-feed price relationships during the summer. In addition, the summer heat wave may have also contributed to lower output per cow during July-August in some regions. In April, the milk-feed ratio was equal to 1.55, but by September it had declined to 1.39, the lowest since July 1977, as the feed grain and soybean crops wilted under the extreme summer heat and grain prices increased.

Utility cow prices, Omaha

Month	1978	1979	1980
	Dollars per cwt.		
January	27.59	47.33	47.94
February	29.45	50.81	51.22
March	32.44	52.94	48.80
April	36.94	57.00	45.73
May	39.21	55.51	42.78
June	37.61	50.60	44.06
July	38.09	47.80	43.33
August	37.85	48.33	45.53
September	39.75	49.65	46.56
October	40.46	47.71	45.93
November	39.30	46.49	43.91
December	41.85	46.98	
Average	36.71	50.10	

U.S. milk production

Month	1979	1980	Change
	Million pounds		*Percent*
January	10,004	10,260	+2.6
February	9,317	9,917	+6.4
March	10,526	10,881	+3.4
April	10,600	10,941	+3.2
May	11,226	11,609	+3.4
June	10,973	11,409	+4.0
July	10,698	11,019	+3.0
August	10,439	10,786	+3.3
September	10,014	10,352	+3.4
October	10,108	10,454	+3.4
November	9,657	10,043	+4.0
December	10,061		
Total	123,623		

Milk-feed price ratio[1]

Month	1978	1979	1980
	Pounds		
January	1.50	1.62	1.54
February	1.52	1.59	1.57
March	1.51	1.58	1.55
April	1.47	1.56	1.55
May	1.49	1.53	1.53
June	1.43	1.51	1.50
July	1.45	1.43	1.47
August	1.54	1.51	1.42
September	1.59	1.54	1.39
October	1.64	1.55	1.42
November	1.62	1.59	1.40
December	1.63	1.54	
Average	1.53	1.54	

[1] Pounds of 16% protein ration equal in value to 1 pound of milk.

Milk Cows on Farms

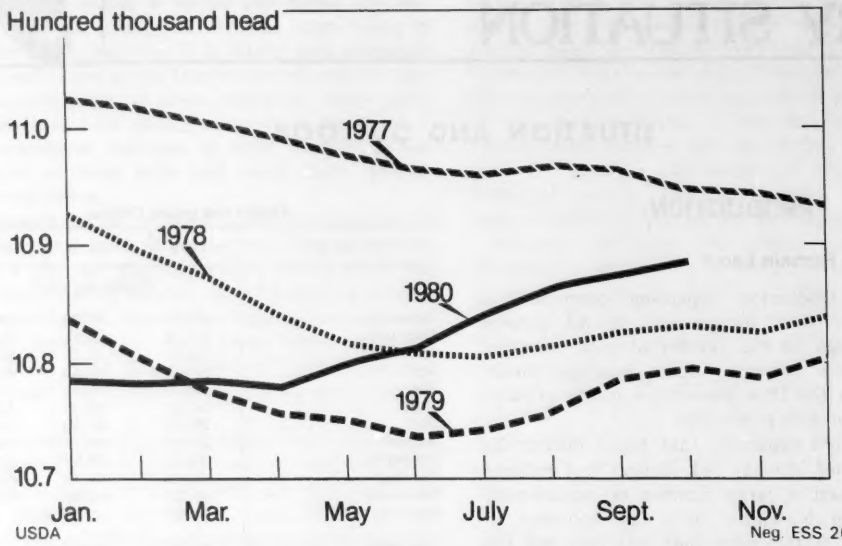

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Figure 7

Milk Production per Cow

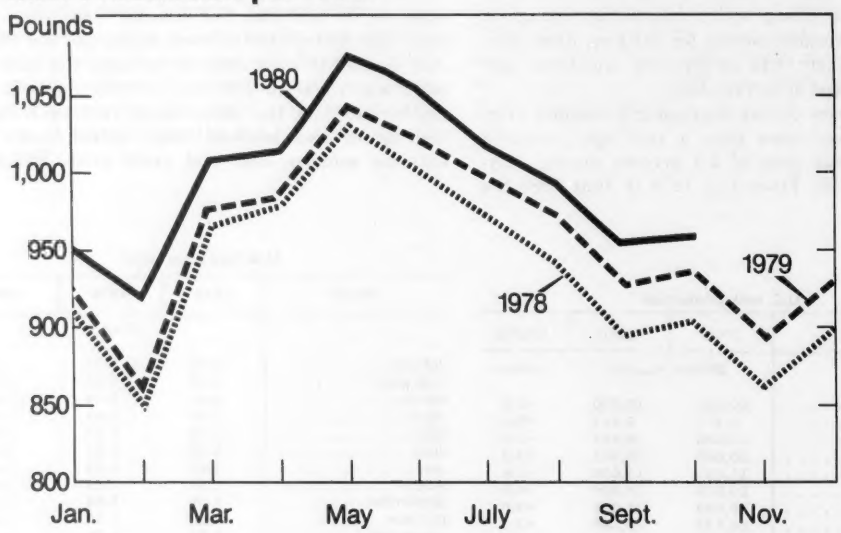

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Figure 8

September-November milk production ranged from a year-to-year increase of 8.7 percent in the Mountain region to an increase of 0.2 percent in the Delta States region. The Pacific region led the primary production areas with an output increase of 6.2 percent, while production in the Lake States, Corn Belt, and the Northeast totaled about 3 percent more. Milk production increased in all five of the major milk producing States—California (7.2 percent), Pennsylvania (5.5 percent), Minnesota (3.6 percent), New York (2.7 percent), and Wisconsin (2.0 percent).

Feed Prices Up, Will Stay High

The swift runup in feed ingredient prices this summer continues to be reflected in higher dairy feed prices. The price of 16-percent protein dairy ration was $200 per ton in mid-November, up $38 (23.5 percent) from a year ago and $12 (6.4 percent) from September. Despite increased dairy ration costs, farm milk prices rose by the same rate from September to November resulting in almost no change in the milk-feed price ratio, 1.39 in September versus 1.40 in November (figure 9). The November value for the ratio contrasts with the favorable value of 1.59 a year earlier and a 10-year November average of 1.49.

This year's corn crop for grain is forecast at 6.46 billion bushels, down 17 percent from 1979's record crop. This decline in production, despite a 3.5-million-acre increase in planted acreage, results from a forecast yield of 90.8 bushels per acre, down nearly 19 bushels from last year's record as virtually all major producing States suffered from the drought. The lower production level is offset somewhat by the largest carryin stock level since 1964 but the corn supply for the year will still be down about 11 percent from last year. With an expected increase in exports, reflecting strong world demand, and a continued high level of domestic use, utilization will likely increase. Stocks on October 1, 1981 may be the smallest in 4 years—keeping corn prices strong through 1980/81. Mid-December prices for No. 2 yellow corn at Chicago were quoted at about $3.55 per bushel, up about 85 cents from last year and 15 cents from early October.

This year's soybean production is forecast at 1.77 billion bushels—down 22 percent from last year. However, with large carryin stocks, the supply of soybeans will be down about 12-1/2 percent from last year. Both domestic use and exports will be down about 6 percent, ending stocks will likely decline by half, and bean prices will remain strong through 1980/81. Meanwhile, the soybean meal supply during 1980/81 will be down (because of less crush) more than demand will be down (because of fewer hogs). As a result, soybean meal prices will likely remain near present levels and for 1980/81 is expected to average considerably higher than in 1979/80. In mid-December, prices for 44-percent protein (Decatur) were reported at about $215 per ton, up about $25 from a year ago but down $15 from early October. With both corn and soybean meal prices anticipated to be higher for most of the year, dairy concentrate ration costs can also be expected to be above year-ago levels during 1981.

On October 1 production of all hay was reported to be down 13 percent from last year, with the alfalfa hay harvest down 11 percent. Meanwhile, nationwide pasture and range conditions on December 1 were rated very poor (63) and unchanged from the average for September-November. With significantly reduced hay production (in part due to drought conditions this summer) and increased use because of supplemental feeding (due to poor pastures), hay prices have remained strong in recent months. The mid-November average price received by farmers for baled alfalfa was $78.10 per ton, up 20.7 percent from last year. Prices ranged from $42 per ton in Wisconsin to $111 per ton in Oklahoma. In addition, given the shortfall in alfalfa and other hay production this year, roughage prices can be expected to remain relatively high through first-half 1981.

More Milk in 1981

Although gains in productivity per cow did slow this summer, the continued expansion of the dairy herd ensured that milk output this year will be a record. Milk output this fall will likely increase about 4.0 percent over the fourth quarter last year. Thus, milk production for all of 1980 will be about 128 billion pounds, approximately 3.5 percent larger than last year and about 1 billion pounds larger than the previous high in 1964 (table 1).

Despite a likely increase in farm milk prices during 1981, the expected higher feed prices will prevent the milk-feed price relationships from reaching the favorable levels that existed for the 3-year period beginning in mid-1977. This would imply that the increase in grain and other concentrates feeding would likely abate in 1981. On October 1, dairy farmers reported feeding 15.1 pounds of grain and other concentrates per cow per day—up 4.1 percent from 1979 and 11 percent above 1978, but down slightly from July 1. However, other things equal, the improved genetics of the dairy herd adds about 100 pounds to output per cow, per year, thus output per cow in 1981 will likely increase.

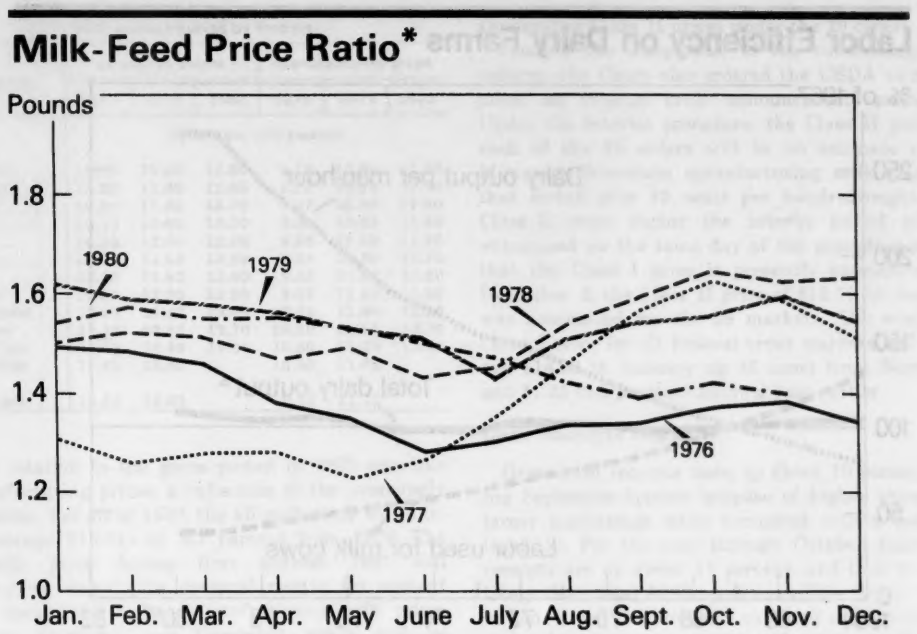
Milk cow numbers should be above year-earlier levels for most of 1981 and average about 1/2 percent more than 1980. Current indications are that a larger number of replacement animals are available, which means that even with a normal culling rate the present dairy herd can be maintained. In addition, some dairy farmers, because of the mandated

Table 1--Milk production and factors affecting supply, United States, selected years, 1955-80

Year	Milk cattle on farms, January 1 1/			Milk cows on farms, average during year	Milk production		Average prices received by farmers per 100 pounds		
	Milk cows and heifers that have calved	Milk cow replacements; heifers 500 pounds and over			Per cow	Total	All milk, wholesale	Milk eligilbe for fluid market	Milk, manufacturing grade
		Total	Per 100 cows						
	Thou.	Thou.	No.	Thou.	Lb.	Mil. lb.	Dol.	Dol.	Dol.
1955	21,320	6,832	32.0	21,044	5,842	122,945	4.01	4.50	3.15
1960	17,650	5,686	32.2	17,515	7,029	123,109	4.21	4.69	3.25
1965	15,380	4,780	31.1	14,953	8,305	124,180	4.23	4.63	3.34
1966	14,490	4,450	30.7	14,071	8,522	119,912	4.81	5.17	3.97
1967	13,725	4,215	30.7	13,415	8,851	118,732	5.02	5.43	4.06
1968	13,115	4,080	31.1	12,832	9,135	117,225	5.24	5.67	4.22
1969	12,550	3,990	31.8	12,307	9,434	116,108	5.49	5.87	4.45
1970	12,091	3,880	32.1	12,000	9,751	117,007	5.71	6.05	4.70
1971	11,909	3,843	32.3	11,839	10,015	118,566	5.87	6.19	4.86
1972	11,776	3,828	32.5	11,700	10,259	120,025	6.07	6.38	5.08
1973	11,622	3,872	33.3	11,413	10,119	115,491	7.14	7.42	6.20
1974	11,297	3,941	34.9	11,230	10,293	115,586	8.33	8.66	7.13
1975	11,220	4,087	36.4	11,143	10,350	115,334	8.75	9.02	7.63
1976	11,087	3,958	35.7	11,055	10,879	120,269	9.66	9.93	8.56
1977	11,035	3,888	35.2	10,974	11,181	122,698	9.72	9.96	8.70
1978	10,939	3,896	35.6	10,841	11,218	121,609	10.60	10.80	9.65
1979	10,839	3,936	36.3	10,777	11,471	123,623	12.00	12.20	11.10
1980 2/	10,810	4,166	38.5	10,810	11,813	127,700	* 12.95	* 13.12	* 11.97

Year	Dairy ration cost		Milk cow cost		Grain and other concentrates fed to milk cows 3/			Dairy pasture feed conditions as percent of normal	Alfalfa hay prices	
	Value per 100 pounds	Milk-feed price ratio 4/	Price received per head	Milk required to buy a cow	Total fed	Per cow	Per 100 pounds of milk produced		Received by farmers per ton	Paid by farmers per ton
	Dol.	Lb.	Dol.	Cwt.	Thou. tons	Lb.	Lb.	Pct.	Dol.	Dol.
1955	3.16		146	36	18,664	1,758	30.1	77	22.00	33.70
1960	2.92		223	53	19,821	2,259	32.2	82	21.00	31.60
1961	2.92		224	53	20,916	2,404	33.2	84	21.00	30.90
1962	2.95		221	54	21,617	2,533	34.3	80	21.40	30.60
1963	3.04		215	52	21,858	2,646	35.1	73	23.50	32.90
1964	3.03		209	50	22,464	2,800	35.9	73	24.00	32.60
1965	3.03	1.18	212	50	22,827	2,953	36.7	80	25.00	33.00
1966	3.15	1.30	246	51	22,569	3,000	37.6	78	24.70	33.40
1967	3.23	1.35	260	52	22,790	3,374	38.3	80	23.60	34.08
1968	3.10	1.47	274	52	22,886	3,519	39.1	83	23.00	32.94
1969	3.15	1.54	300	55	23,615	3,726	40.7	82	23.90	34.08
1970	3.28	1.53	332	58	24,870	3,979	42.4	81	24.70	34.69
1971	3.44	1.49	358	61	25,107	4,070	42.4	79	27.10	37.57
1972	3.52	1.52	397	65	25,162	4,298	41.9	80	31.45	40.15
1973	4.88	1.28	496	69	25,042	4,389	43.4	83	41.55	51.65
1974	6.23	1.22	500	60	24,586	4,384	42.6	75	52.58	63.58
1975	6.25	1.31	412	47	24,274	4,357	42.1	79	54.38	66.18
1976	6.30	1.37	477	49	25,083	4,545	41.7	70	60.81	72.16
1977	6.20	1.39	504	52	25,518	4,709	42.1	72	60.57	74.25
1978	6.08	1.53	675	64	26,082	4,806	42.8	76	52.25	5/
1979	6.68	1.54	1,040	87	---	---	---	82	60.67	5/
1980 2/	7.18	* 1.49	* 1,181	91	---	---	---	* 71	71.99	5/

1/ Prior to 1965, estimated by Livestock Section, ERS.
2/ Preliminary.
3/ On farms where milk or cream was sold. Beginning 1966, data are for all farms where milk was produced.
4/ Pounds of 16 percent protein ration equal in value to 1 pound of milk.
5/ Discontinued series.
* Simple average excluding December 1980.



*Pounds of 16% protein ration equal in value to one pound of milk sold to plants and dealers.

USDA **Figure 9** Neg. ESCS 40-80(12)

support price increase next spring, may consider the milk receipts potential of their marginal cows high enough to offset higher production expenses, and therefore continue their current low rate of culling. However, the expected sharply higher utility cow prices during 1981, along with higher feed prices and the forthcoming debate over dairy price support legislation could act in concert to limit further gains in cow numbers, or even revive the down trend.

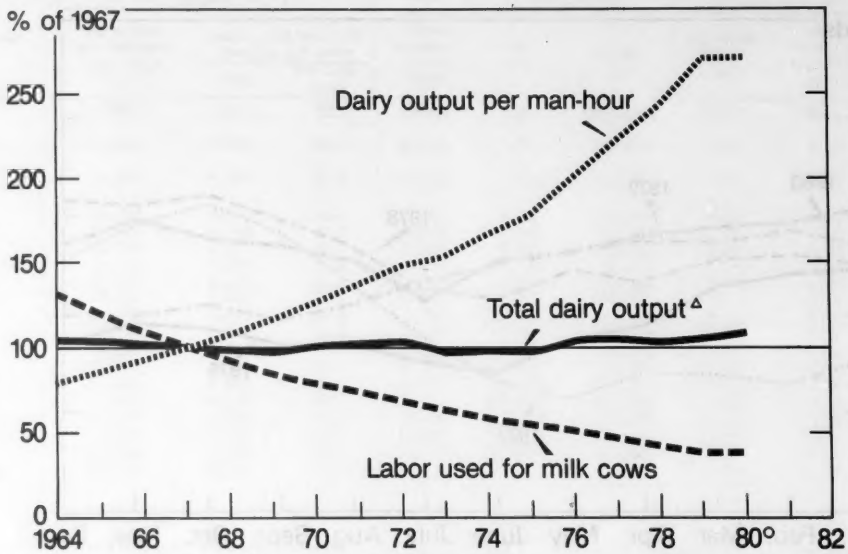
Thus, on balance, the less favorable milk-feed price relationships expected for most of 1981 will likely limit increased concentrate feeding—limiting gains in output per cow to about 2 percent. However, milk cow numbers are expected to remain above year-ago levels. Therefore, milk production gains can be expected during most of next year, with 1981 production up 1 to 3 percent from the record high level of 1980.

Labor Efficiency in Milk Production Up in 1979

Dairy output per man-hour increased 12.4 percent in 1979 and follows an increase of 8.5 percent in 1978 and 10.4 percent in 1977 (figure 10). The smaller increase in 1978 can probably be attributed to the relatively slow expansion in output per cow during 1978. The 1979 increase was probably due to the improved output per cow, with most of the gain coming in the last half of the year. For 1980, preliminary data indicate that dairy production per man-hour will be unchanged from 1979 as both total hours of labor used for milk cows and total dairy output are expected to increase proportionately.

Several factors are behind the history of increasing labor efficiency in the milk production process. On the output side, efficiency has resulted because dairy farmers were getting more production per cow through better management, the continued improvement of the genetic potential of the dairy herd, and heavier concentrate feeding. Meanwhile, on the labor side, efficiency has resulted because dairy farm enterprises have adopted labor-saving technologies which allowed the dairy farm labor force to decline while the average herd size increased. For example, in 1979 dairy farmers used an average of 6.25 minutes per day per cow for direct care (which does not include labor used in producing feed, caring for calves and replacements, or general farm overhead) down from 6.81 minutes in 1978. While the decline in minutes per cow from 1978 to 1979 is of interest, when added to the fact that output per cow increased 2.3 percent, the improved labor efficiency

Labor Efficiency on Dairy Farms



△Farm output of butter, butterfat, and milk. °Preliminary.

USDA Figure 10 NEG. ESS 8447-80(12)

(output per unit of labor) for 1979 of the dairy farmer is noteworthy. However, for 1980, preliminary data indicates that time worked per day per cow has increase 2 percent to 6.39 minutes while output per cow will likely be up 3 percent. This near stagnation of labor efficiency may be partly the result of the increased dairy herd, because in some cases dairy farmers may have exceeded the capacity of their operation to handle more cows. In addition, some inefficient operations may have remained in dairying because of limited off-farm opportunities or may have delayed purchase of labor-saving technologies because of increased interest rates and other costs.

PRICES AND INCOME

Milk Prices Below Support, But Up 10 Percent

Since April, the national average manufacturing grade milk price has failed to reach support. After adjusting for fat test, the October and November prices were 58 cents and 48 cents, respectively, below $13.10—the established October 1 support level for 100 pounds of milk at 3.67 percent fat. The shortfall from support since April largely resulted from reduced competition among manufactures for the large milk supply. The $12.90 per 100 pounds reported for November was 10 percent above the year-earlier levels; and for all of 1980 the manufacturing grade milk prices will likely average $12.05—up 8.6 percent from 1979.

Milk production ebbed seasonally during November (on a daily average basis) and is now increasing. Thus, with little change expected in fluid sales relative to a year ago, milk supplies for manufacturing purposes will be plentiful in coming months. In addition, with adequate commercial butter and cheese stocks, and because manufacturers will likely be able to more than meet their winter trade needs, a surplus of dairy products will exist. Even with heavy sales to the Commodity Credit Corporation (CCC), manufacturing milk price increases this winter will likely be limited and for the rest of 1981 will be impacted by the April 1 and October 1 support levels.

During November, the average price received by dairy farmers for all-milk was $14.00 per 100 pounds, up about 8.5 percent from last year and 12 percent above the seasonal low in June. This contrasts with an 11 percent gain in the all-milk price posted in November of 1979 when compared with November 1978. The continued slow increase in the all-milk

Milk prices received by farmers

Month	All sold to plants			Manufacturing grade		
	1978	1979	1980	1978	1979	1980
	Dollars per 100 pounds					
January. . . .	10.20	11.90	12.80	9.17	10.90	11.80
February . . .	10.20	11.90	12.80	9.21	10.80	11.70
March.	10.20	11.80	12.70	9.27	10.80	11.80
April	10.10	11.60	12.70	9.30	10.80	11.80
May.	10.10	11.50	12.60	9.26	10.80	11.70
June	10.00	11.50	12.50	9.24	10.70	11.70
July.	10.10	11.60	12.60	9.28	10.80	11.60
August	10.50	12.00	12.80	9.62	11.10	11.80
September . .	10.90	12.30	13.20	9.96	11.40	12.20
October . . .	11.30	12.60	13.70	10.50	11.60	12.70
November . .	11.60	12.90	14.00	10.80	11.70	12.90
December . .	11.80	12.80		10.90	11.70	
Average . .	10.60	12.00		9.65	11.10	

price relative to the gains posted in 1979 are, like manufacturing prices, a reflection of the oversupply situation. For all of 1980, the all-milk price will likely average $13.04—up 8.7 percent from 1979. The all-milk price during first quarter 1981 will strengthen due to the seasonal rise in fat content and because of higher manufacturing milk prices during November and December which will be reflected in federal order class I prices in January and February. For the rest of 1981, all-milk farm prices will be a function of the mandated April 1 support price increase, the support level on October 1, and the supply and demand for the year. The all-milk price will likely average 10 to 12 percent higher in 1981.

Most cooperative associations announced increases in their negotiated Class I prices charged to handlers for November. These increases averaged 32 cents per hundredweight. With Federal order minimum Class I prices increasing 21 cents from October to November, the increases announced by cooperatives raised the estimated average over-order payment from 61 cents in October to 72 cents in November. The average over-order payment dropped to 56 cents in December as Federal order minimum Class I prices increased 35 cents while cooperatives generally held their negotiated prices or increased them by amounts ranging up to the increase in Federal order minimums.

The USDA has developed an interim procedure for announcing Class II prices in 29 Federal order markets which had adopted uniform classification provisions in 1974. This action was necessitated by an order of the U.S. Court of Appeals for the District of Columbia which had ruled that the existing Class II announcement procedure in these 29 markets was invalid. The Court ordered the USDA to establish, on the basis of further rulemaking procedures, a method for announcing Class II prices. In August, a hearing was held to consider proposals on the method for announcing Class II prices under the 29 orders.

Pending the completion of the rulemaking procedures, the Court also ordered the USDA to implement an interim price announcement procedure. Under the interim procedure, the Class II price for each of the 29 orders will be an estimate of the Minnesota-Wisconsin manufacturing milk price for that month plus 10 cents per hundredweight. The Class II price during the interim period will be announced on the same day of the preceding month that the Class I price is presently announced. On December 5, the Class II price of $12.75 for January was announced for the 29 markets. The minimum Class I price for all Federal order markets will average $14.62 in January up 45 cents from November and $1.25 (9.3 percent) above a year earlier.

Cash Receipts Higher

Gross cash receipts were up about 10 percent during September-October because of higher prices and larger marketings when compared with a year ago (table 2). For the year through October, total cash receipts are up about 11 percent, and thus it seems likely that total 1980 receipts will be about 16-1/3 billion. Given the presently expected milk production and milk price ranges, total cash receipts will likely be up 11 to 15 percent in 1981.

During October-November, the index of prices paid for production items by all farmers was 11.5 percent higher than a year ago. With prices paid by farmers rising at a greater rate than the gain in cash receipts, and with the feed price index increasing 5 percent from October to November—counter to the normal seasonal pattern—net income for dairy farmers may deteriorate somewhat in coming months.

Wholesale Prices Up

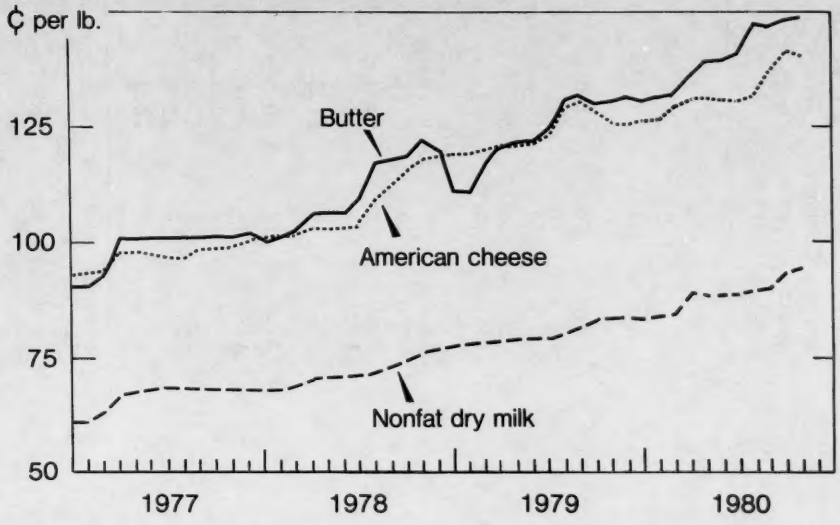
Wholesale prices of dairy products advanced during the fall (figure 11). For October, the Bureau of Labor Statistics (BLS) index stood at 238.4 (1967=100), up 9.3 percent from last year and up 2.3 percent from August. During November, butter (Chicago, Grade A) averaged 147.6 cents per pound—about 1-1/2 cents below the CCC purchase price effective October 1, but 17-1/2 cents (13.5 percent) higher than last year and up 2-1/2 cents since September. Wholesale American cheese (40-pound blocks, Wisconsin assembling points) during November averaged 140.5 cents per pound, slightly higher than the USDA purchase price; about 15 cents (11.7 percent) above a year ago, and 2-1/2 cents above September. Nonfat dry milk (Central States, high heat) at the end of November was about 93.6 cents per pound—under support by about 1/2 cent, but about a dime higher than last year and up an amount equal to the support price increase of 4-1/2 cents.

Table 2--Milk marketings and cash receipts, United States, selected years, 1960-80 1/

Year	Milk used on farms where produced	Milk marketed by farmers				Cash receipts from milk marketed by farmers			
		Sold to plants and dealers		Retailed by farmers as milk and cream	Total	Milk sold to plants and dealers	Cream sold to plants and dealers	Retailed by farmers	Total
		As whole milk	As farm separated cream						
	Billion pounds					Billion dollars			
1960	9.2	103.9	7.9	2.1	114.0	4.4	.2	.2	4.8
1965	6.0	112.7	3.7	1.8	118.2	4.8	.1	.2	5.0
1966	5.5	109.7	3.0	1.7	114.4	5.3	.1	.2	5.5
1967	5.2	109.4	2.4	1.8	113.6	5.5	.1	.2	5.7
1968	4.7	108.8	2.0	1.8	112.6	5.7	2/	.2	6.0
1969	4.3	108.5	1.6	1.7	111.8	6.0	2/	.2	6.2
1970	4.0	110.1	1.2	1.7	113.0	6.3	2/	.2	6.5
1971	3.8	112.2	1.0	1.6	114.8	6.6	2/	.2	6.8
1972	3.5	114.2	.8	1.5	116.5	6.9	2/	.2	7.1
1973	3.4	109.9	.7	1.5	112.1	7.9	2/	.2	8.1
1974	3.2	110.4	.4	1.5	112.4	9.2	2/	.3	9.4
1975	3.1	110.4	.3	1.6	112.3	9.7	2/	.3	9.9
1976	3.0	115.6	.2	1.5	117.3	11.2	2/	.3	11.4
1977	2.8	118.2	.2	1.5	119.9	11.5	2/	.3	11.8
1978	2.7	117.3	.1	1.5	118.9	12.4	2/	.3	12.7
1979 3/	2.5	119.5	.1	1.5	121.1	14.4	2/	.3	14.7
1980 4/	2.4	123.8	.1	1.5	125.4	16.0	2/	.3	16.3

1/ Totals may not add due to rounding.
2/ Less than $50 million.
3/ Preliminary.
4/ Estimated.

Wholesale Dairy Product Prices



USDA

Figure 11

Neg. ESCS 79-80 (12)

With commercial stocks of butter on November 1 above the more-than-adequate levels of a year ago, wholesale butter prices can be expected to remain near the support purchase price. Adding to the likelihood that butter prices will remain near support is the expected large production of butter this winter. Meanwhile, even with commercial stocks of American cheese below last year, the large production levels expected this winter will also keep American cheese prices near support. However, in 1981, because of higher meat prices, American cheese use should improve from the sluggish pace of 1980, and thus the wholesale price may advance further above support. Even so, the 105-percent sellback policy and the large amount of uncommitted CCC cheese stocks will limit the rise.

Retail Prices Higher

During October, the BLS index of retail dairy prices stood at 232.7 (1967=100), up 9.1 percent from a year ago and up 1.3 percent from August as both farm milk prices and farm-to-retail marketing costs increased (figure 12). Through the first 10 months of 1980, retail dairy prices averaged 9.9 percent above last year and will likely average a tenth higher for the year. In contrast, the all-food retail price index was 10.2 percent higher during October and for the year thus far was up an average of 8.2 percent. For 1981, retail dairy prices are expected to advance again, averaging 10 to 12 percent higher than in 1980, which compares with an expected all-food retail price rise of 10 to 15 percent in 1981.

UTILIZATION

Butter and Cheese Output Larger

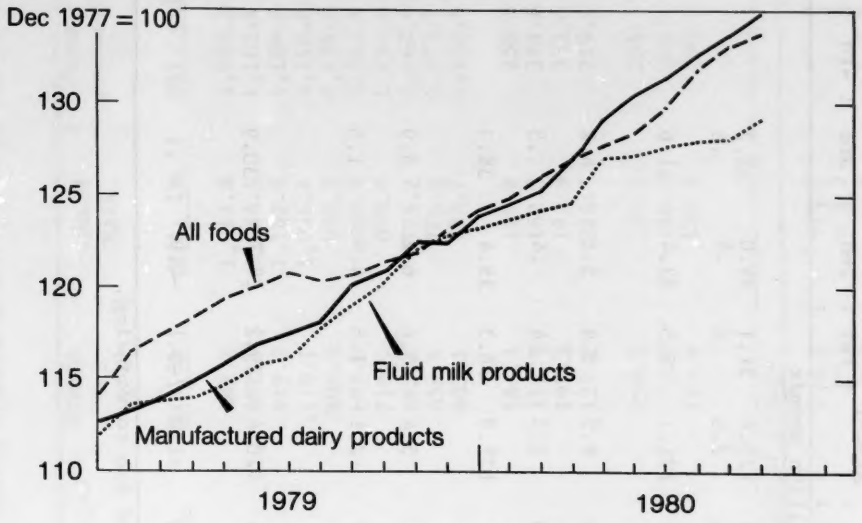
Manufactured dairy products during September-October, on a milk equivalent fat solids basis, used about 850 million pounds more milk than in 1979, up 8.5 percent. From January through October, manufactured dairy products used the equivalent of about 4.2 billion pounds or 7.5 percent, more milk than in 1979, reflecting the gain of total milk production from year-earlier levels. With little change in on-farm use and a small decline in fluid sales, the additional milk has been turned into manufactured dairy products. Of the increased 4.2 billion pounds of milk available for manufacturing purposes, about 3.9 billion pounds was used to make butter-powder and

Table 3--Utilization of milk supply, United States, selected years, 1960-80 1/

Year	Fluid	Butter, net	Cheese			Evaporated and condensed whole milk	Dry whole milk	Frozen dairy products, net	Other factory products	Total factory products 2/	Miscellaneous 3/
			American	Other	Creamed cottage						
	Billion pounds										
1960	53.0	29.4	9.7	3.7	1.0	5.5	.7	9.5	.4	59.8	1.2
1965	55.4	28.5	11.5	4.3	1.0	4.6	.7	10.6	.6	61.8	1.2
1966	55.4	23.7	12.2	4.5	1.0	4.7	.7	10.5	.6	57.9	2.5
1967	54.0	26.1	12.7	4.5	1.0	4.0	.5	10.5	.3	59.8	1.2
1968	53.7	24.9	12.7	4.7	1.1	3.9	.6	11.0	.4	59.2	-.2
1969	52.8	23.7	12.7	4.9	1.2	3.9	.5	11.0	.4	58.3	1.0
1970	52.0	23.9	14.2	5.3	1.3	3.3	.5	11.0	.5	60.0	1.5
1971	51.9	23.9	15.1	5.8	1.3	3.2	.5	11.0	.7	61.6	1.5
1972	53.2	22.7	16.4	6.4	1.3	3.1	.6	11.0	.8	62.3	1.1
1973	52.4	18.6	16.8	6.8	1.1	2.9	.6	11.1	.7	58.7	1.9
1974	50.5	19.3	18.6	7.1	1.0	2.8	.5	11.2	.8	61.3	.7
1975	51.1	19.9	16.5	7.4	1.0	2.7	.5	11.9	.7	60.5	.8
1976	51.5	19.4	20.6	8.2	1.1	2.5	.6	11.6	.7	64.7	1.4
1977	51.4	21.9	20.5	8.4	1.1	2.4	.5	11.7	.7	67.1	1.6
1978	51.2	19.7	20.7	9.2	1.1	2.3	.5	11.7	.7	65.9	2.0
1979 4/	51.4	19.4	21.8	9.7	1.0	2.3	.6	11.7	.9	67.5	2.5
1980 5/	51.5	23.2	22.9	10.5	1.0	2.2	.6	11.7	.8	72.9	2.0

1/ Total supply includes milk marketed by farmers, net imports of ingredients such as frozen cream, "ice cream", and butterfat-sugar mixtures, and net changes in storage cream, milk equivalent fat solids basis. 2/ May not add due to rounding. 3/ Residual, including miscellaneous minor use and any inaccuracies of independently determined use items. 4/ Preliminary. 5/ Estimated.

Retail Food and Dairy Product Prices



USDA

Figure 12

Neg. ESCS 38-80 (12)

Retail dairy product prices

Item	Index base	Oct. 1979	Dec. 1979	Mar. 1980	Oct. 1980
Consumer Price Index[1]	1967=100	225.4	229.9	239.8	253.9
All food[1]	1967=100	238.2	241.7	247.3	262.4
All dairy products[1]	1967=100	213.3	216.9	220.3	232.7
Fluid milk and cream	12/77=100	120.3	122.7	124.1	129.1
Whole milk	1967=100	197.6	201.2	204.0	211.3
Other	12/77=100	119.2	122.0	122.7	129.1
Manufactured dairy products	12/77=100	120.9	122.5	125.1	134.9
Butter	1967=100	213.3	214.0	218.3	238.9
Cheese	12/77=100	121.0	122.6	124.9	133.4
Frozen desserts	12/77=100	120.4	122.6	125.1	138.0
Other	12/77=100	116.4	117.9	121.6	129.0

[1] For all urban consumers starting January 1978.

Production of selected manufactured dairy products, 1979-80

Item	Jan.-Oct.		Change from year earlier	
	1979	1980[1]	1979	1980[1]
	Million pounds		*Percent*	
Butter	824.8	955.4	-3.0	+15.8
Cheese:				
American	1,850.9	1,976.2	+5.6	+6.8
Other	1,266.2	1,309.1	+6.8	+3.4
Cottage, creamed	713.9	710.5	-3.8	-0.5
Canned milk	678.2	613.1	+0.7	-9.6
Dry whole milk	71.6	69.4	+12.6	-3.1
Ice cream (Mil. gal.)	703.3	720.0	-0.4	+2.4
Milk equivalent[2]	56,040	60,230	+1.1	+7.5
Nonfat dry milk	780.5	993.1	-5.0	+27.2

[1] Preliminary. [2] Total all reported manufactured products.

American cheese—products that USDA purchases under the price support program (table 3).

During September-October, butter production expanded by a fifth from 1979. In addition, weekly data for November suggest that butter output was up about 15 percent. For September-October, butter production used about 460 million pounds more milk than in 1979. Meanwhile, from January through October, butter output—up 15.8 percent—took about six-tenths (2.6 billion pounds) of the increased milk supply used in making dairy products. Corresponding to the larger production of butter, nonfat dry milk

Table 4 --Commercial disappearance: Total milk, annual and by quarters, 1978-80 1/

Item	1978	1979					1980 2/				
		By quarters				Annual	By quarters				Annual
		1st	2nd	3rd	4th		1st	2nd	3rd	4th	
		Billion pounds									
Production	121.6	29.8	32.8	31.2	29.8	123.6	31.1	34.0	32.2		
Farm use	2.7	.6	.6	.6	.6	2.5	.6	.6	.6		
Marketings	119.0	29.2	32.2	30.6	29.2	121.1	30.5	33.4	31.6		
Beginning commercial stocks	4.9	4.5	4.9	6.4	6.6	4.5	5.4	5.6	6.2		
Imports	2.3	.4	.5	.6	.9	2.3	.4	.4	.5		
Total supply	126.2	34.1	37.6	37.6	36.7	127.9	36.3	39.4	38.3		
Ending commercial stocks	4.5	4.9	6.4	6.6	5.4	5.4	5.6	6.2	5.9		
Net removals	2.7	.2	1.1	4/	.8	2.1	1.5	4.4	1.5		
Commercial disappearance Actual	118.9	28.9	30.2	30.8	30.4	120.4	29.2	28.7	30.9		
Percent change 3/	+2.4	+2.1	+ .8	+ .6	+1.4	+1.2	5/-0.1	-4.9	+ .1		

1/ Milk equivalent, fat solids basis. Totals may not add due to rounding.
2/ Preliminary.
3/ From year earlier using unrounded data.
4/ Less than 50,000 pounds.
5/ On a daily average basis.

Table 5 --Commercial disappearance: Selected dairy products, United States, annual 1970-79, quarters, 1979-80 1/

Year and quarter	Butter 2/	Cheese		Nonfat dry milk	Canned Milk	Frozen products 4/
		American 3/	Other			
	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. lb.	Mil. gal.
1970	898.2	1,398.0	909.1	983.2	1,213.8	1,097.3
1971	847.1	1,454.8	987.0	981.8	1,186.9	1,102.4
1972	885.4	1,595.7	1,127.8	919.2	1,102.6	1,108.6
1973	855.6	1,677.1	1,210.2	1,110.1	1,056.7	1,118.6
1974	929.9	1,780.6	1,276.5	809.9	999.5	1,128.0
1975	951.0	1,717.1	1,331.9	697.0	923.9	1,183.9
1976	919.0	1,920.9	1,458.0	719.2	899.0	1,154.0
1977	859.8	1,958.8	1,512.3	682.2	775.2	1,167.6
1978	903.5	2,064.7	1,655.5	658.4	776.1	1,173.5
1979	895.0	2,110.9	1,730.7	603.1	773.7	1,152.9
1979 - 1st	248.3	515.2	384.8	166.3	198.8	250.5
2nd	203.0	541.6	428.8	117.2	162.3	323.6
3rd	202.1	510.0	440.4	197.3	185.9	339.4
4th	241.6	543.5	476.9	122.2	226.6	239.4
1980 - 1st	251.0	508.6	419.3	158.7	177.4	251.3
2nd	161.5	495.2	424.7	73.6	158.5	322.7
3rd	228.4	488.5	432.7	183.9	172.3	350.2
4th						
	1979-80 percent change					
1st 5/	- .3	- 2.5	+ 7.9	- 6.2	-11.8	- .8
2nd	-20.4	- 8.6	- .9	-37.2	- 2.3	- .3
3rd	+13.0	- 4.2	- 1.7	- 6.8	- 7.3	+ 3.2
4th						

1/ Totals may not add due to rounding. 2/ Imports include butter equivalent of butteroil. 3/ Imports include Colby cheese; stocks do not include processed cheese. 4/ Excludes Mellorine. 5/ On a daily average basis.

output in September-October was up 31 percent and for the first 10 months of the year was up over a fourth from 1979.

American cheese output during September-October was 7.4 percent above year-ago levels and used about 250 million pounds more milk. For the first 10 months of 1980, the increased production of American cheese has used about three-tenths (1.3 billion pounds) of the additional milk.

Among other manufactured dairy products, production of other-than-American cheese during September-October was up 7.4 percent (6.3 percent in October) as the trade reacted to improved sales, which were up 8.4 percent. Dry whole milk output during September-October was up over a fourth, leaving production through October down 3.1 percent. Meanwhile, dry whey and modified whey products for human food during September-October were down 5.6 percent from year-ago levels. During the same time period, dry buttermilk output posted a 0.4 percent year-to-year increase.

With milk production expected to remain above year-earlier levels for most of 1981, more milk will likely be available for production of manufactured dairy products. And with little, if any, increase in the use of other manufactured products, most of the milk will be used to make butter-powder and cheese and sold to USDA. However, the size of the gains in butter and powder output in 1981 will also depend upon demand for other dairy products. If sales pick up as expected from the low levels of 1980, butter and powder production gains could abate as milk is drawn into other uses. On the other hand, sales could continue to be weak in 1981, and then the butter and powder production gains in 1980 would be repeated in 1981.

Commercial Use Down

Commercial disappearance of milk and dairy products during the July-September quarter was unchanged on a milk equivalent basis from a year ago (table 4). However, current data indicate that commercial use during October was down 2.4 percent from a year earlier. For the January to October period, use was down 1.4 percent from a year ago. As in April-June, the lackluster performance from July to October was primarily caused by the weak general economy, higher retail dairy product prices, and relatively favorable meat prices.

Commercial use of butter during the third quarter, when compared with 1979, was up a substantial 13 percent, with August up about 12 percent, and September up about 22 percent. These gains are probably the result of wholesale buyers for retail chain stores acquiring large quantities in anticipation of the higher support prices effective October 1. In support of this is the fact that current data for

Wisconsin out-of-state milk shipments

Month	1979		1980	
	Loads	Volume	Loads	Volume
	Number	*Thousand pounds*	*Number*	*Thousand pounds*
January	302	14,194	156	7,332
February	180	8,460	70	3,290
March	64	3,008	20	940
April	17	799	0	0
May	24	1,128	0	0
June	6	282	0	0
July	36	1,692	119	5,593
August	157	7,379	146	6,862
September	294	13,818	190	8,930
October	175	8,225	67	3,149
November	232	10,904	8	376
December	251	11,797		
Total	1,738	81,686		

October indicate that commercial use of butter was down 12 percent. Thus, total commercial butter use from January through October was down 3 percent.

During September and October American cheese commercial disappearance continued to decline from year-ago levels, as October marked the eighth month of lower sales. Through October, American cheese consumption was down 4.8 percent. Meanwhile, after 4 months of lower sales, other-than-American cheese sold better in both September and October—up an average of 8.4 percent for the 2 months when compared with 1979. Thus, January to October sales of other-than-American cheese, when compared with last year, were up 2.8 percent.

With regards to the other major use of milk, fluid sales (as indicated by Federal order data) were slightly above year-earlier levels in August and Sep-

Changes in dairy sales from year earlier

Item	Change		
	Jan.-Mar.	Apr.-June	July-Oct.
	Percent		
Total milk[1]	+1.1	-4.9	-0.6
Manufactured products:			
American cheese	-1.3	-8.6	-4.6
Other cheese	+9.0	-0.9	+1.4
Cottage cheese[2]	+0.2	+0.1	+3.3
Butter	+1.1	-20.4	+6.0
Ice cream	+2.2	+0.8	+3.6
Ice milk	-5.9	-2.7	-.4
Canned milk	-10.8	-2.3	-3.2
Nonfat dry milk	-4.6	-37.2	-8.2
Fluid products:	-1.1	-1.1	([3]) ([4])
Whole milk	-4.5	-4.4	[3] -3.4
Skim and lowfat milk	+3.8	+3.8	[3] +4.9
Cream and mixtures	+2.8	+1.4	[5] +1.2

[1] On a milk equivalent, fat-solids basis. [2] Creamed and low fat. [3] July-Sept. [4] Less than .05 percent. [5] July-Aug.

tember but dropped below in October. For the year through September, fluid sales were down about 0.8 percent.

Commercial use of milk and dairy products on a milk equivalent basis should increase from the depressed 1980 levels, because increasing meat prices will make dairy products relatively more attractive to consumers. On the other hand, further increases in retail dairy product prices and a sluggish general economy could hold back any large gains in use in 1981.

Commercial Stocks Adequate

In general, commercial stocks of dairy products moved below year-earlier levels this summer, and remained below on November 1. Industry holdings of milkfat were down 2 percent on November 1, after being down 9 percent on September 1. Stocks of solids-not-fat held by the industry were down 10 percent on November 1, after being down 5 percent on September 1.

On November 1, commercial stocks of butter were up a tenth from the relatively high levels of a year ago, after being 18.5 percent below year-ago levels on October 1. In addition, the November 1 stocks increased 10 percent from October 1, a fact that is counter to the normal seasonal butter inventory pattern. This abnormal shift may have been caused by the industry becoming over-optimistic about commercial use of butter after July, August, and September sales surpassed year-earlier levels.

Industry stocks of American cheese on November 1 were 8 percent below a year earlier. However, unlike butter inventories, American cheese stocks did decrease, but at a pace much slower than usual. Given the increase in production and the lower sales, this normal pattern in American cheese stocks was only possible because the industry cleared very large amounts of the product to CCC. Meanwhile, commercial stores of other varieties of cheese on November 1 were about 18 percent higher than last year, compared with 21 percent larger stock levels in September. This relatively small change in stocks of other-than-American cheese was because use and production increased in September-October by about equal amounts.

Manufacturers' stocks of nonfat dry milk on November 1 were down about a fifth from last year but appear to be ample for trade needs, given the high level of production. Dry whey (edible) stocks were 45 percent below a year ago, as demand remains strong.

USDA Purchases Large

The USDA continued to purchase large amounts of dairy products this fall, because of the heavy supply of milk and a weak demand for dairy products. Milk equivalent purchases totaled 868 million pounds during October-November, compared with 450 million pounds during the same period last year. From January through November, the USDA has made net removals equivalent to 8.2 billion pounds of milk nearly four times as much as in 1979. Since milk production is expected to continue rising for most of 1981 and since dairy product demand may not increase as much, USDA will likely continue to purchase dairy products through most of 1981. In addition, because of the 105 percent sell-back policy in effect—and also because of the expected larger milk production—manufacturers will try to hold their stocks to a relatively low level, increasing the amount of CCC removals.

On December 1, USDA uncommitted inventories of butter were 274 million pounds, 92 percent higher than last year while nonfat dry milk holdings were 521 million pounds, up 37 percent. Meanwhile, American cheese uncommitted inventories were 184 million pounds—more than nine times year-ago levels.

Dairy product stocks

Item	Nov. 1 1978	Nov. 1 1979	Nov. 1 1980
	Million pounds		
Commercial:			
Butter	26.1	44.0	48.5
American cheese	368.9	435.2	399.5
Other cheese	75.6	100.0	117.7
Nonfat dry milk	52.2	92.9	75.2
Milkfat	173.9	217.5	212.9
Solids-not-fat	209.8	276.8	248.4
Milk equivalent	4,979	6,174	5,971
Government:			
Butter	225.7	156.5	250.8
American cheese	41.7	1.3	176.1
Nonfat dry milk	584.9	423.6	500.2
Milkfat	195.1	126.4	258.7
Solids-not-fat	575.5	407.9	535.5
Milk equivalent	5,073	3,246	6,920

USDA dairy purchases[1]

Item	January-November		
	1979	1980	Change
	Million pounds		*Percent*
Butter	74.5	239.2	+221.1
American cheese	19.2	328.7	*
Nonfat dry milk	229.4	595.1	+159.4
Evaporated milk	15.6	15.2	-2.6
Milk equivalent	1,762	8,219	+366.5

[1] Delivery basis, after sales for unrestricted use. *More than 1,000.

Table 6--Milk equivalent: Domestic civilian disappearance, commercial and noncommercial sources, total and per capita, United States, 1955, 1960, and 1965-80

Year	Civilian disappearance					Total military utilization 2/	Consumption excluding donations from USDA supplies		
	Consumed on farms 1/	USDA donations to civilian channels	National School Lunch and Special Milk Programs	Commercial sources	All sources		Civilian	Military	Total
	Million pounds								
1955	11,359	3,102	1,394	98,697	114,552	3,329	111,450	2,627	114,077
1960	6,610	2,040	2,455	105,259	116,364	2,532	114,324	2,228	116,552
1965	3,913	3,593	3,215	107,978	118,699	2,819	115,106	2,387	117,493
1966	3,492	1,129	3,311	108,804	116,736	2,376	115,607	2,376	117,983
1967	3,152	3,113	3,338	103,812	113,415	2,117	110,302	2,117	112,419
1968	2,841	4,114	3,376	103,332	113,663	3,295	109,549	2,186	111,735
1969	2,570	4,545	3,435	102,682	113,232	2,696	108,687	2,051	110,738
1970	2,306	4,187	3,462	103,257	113,212	2,419	109,025	1,788	110,813
1971	2,117	4,526	3,494	103,782	113,919	2,031	109,393	1,608	111,001
1972	1,914	3,906	3,500	106,563	115,883	1,671	111,977	1,258	113,235
1973	1,766	3,521	3,500	106,721	115,508	1,257	111,987	1,257	113,244
1974	1,643	1,459	3,500	107,376	113,978	1,137	112,519	1,137	113,656
1975	1,505	2,296	3,500	108,057	115,358	1,075	113,062	1,075	114,137
1976	1,404	478	3,500	111,362	116,744	1,013	116,266	1,013	117,279
1977	1,295	2,986	3,500	110,432	118,213	996	115,227	996	116,223
1978	1,174	2,275	3,500	113,413	120,362	977	118,087	977	119,064
1979	1,044	2,310	3,500	115,753	122,607	977	120,297	977	121,274
1980 3/	1,000	2,766	3,500	115,513	122,779	977	120,013	977	120,990

	Per capita civilian disappearance 4/					Civilian consumption excluding donations from USDA supplies
	Consumed on farms 1/	USDA donations to civilian channels	National School Lunch and Special Milk Programs	Commercial sources	All sources	
	Pounds					
1955	70	19	9	608	706	687
1960	37	11	14	591	653	642
1965	20	19	17	564	620	601
1966	18	6	17	563	604	598
1967	16	16	17	532	581	565
1968	14	21	17	525	577	556
1969	13	23	17	516	569	546
1970	11	21	17	512	562	541
1971	10	22	17	508	558	536
1972	9	19	17	516	561	542
1973	8	17	17	513	555	538
1974	8	7	17	512	544	537
1975	7	11	17	511	546	535
1976	7	2	16	523	548	546
1977	6	14	16	514	551	537
1978	5	11	16	524	556	545
1979	5	11	16	530	561	551
1980 3/	5	13	16	524	557	544

1/ Includes a small amount of farm-churned butter sold. 2/ Includes any quantities used by military in civilian feeding programs abroad. 3/ Preliminary. 4/ Aggregate in each category divided by total civilian population.

Table 7--Net government expenditures on dairy support and related programs, fiscal years, 1950-80

Year beginning July 1	Net support purchases 1/	Military milk 2/	Section 32 3/	Section 709 4/	Section 4(a) 4/	Export assistance 5/	Total (excluding special milk)	Special milk program 6/
				Million dollars				
1949-50	170.5	---	17.6	---	---	---	188.1	---
1950-51	7/-49.1	---	8/-.9	---	---	---	7/-50.0	---
1951-52	1.6	---	7.5	---	---	---	9.1	---
1952-53	274.9	---	25.1	---	---	---	300.0	---
1953-54	400.4	---	74.0	---	---	---	474.4	---
1954-55	228.7	4.3	24.4	---	---	---	257.4	22.2
1955-56	237.9	7.3	39.0	---	---	---	284.2	48.2
1956-57	239.1	16.4	75.6	---	---	---	331.1	61.0
1957-58	205.9	30.4	123.7	---	---	---	360.0	66.7
1958-59	102.1	23.0	106.2	---	---	---	231.3	74.7
1959-60	159.5	23.6	35.1	---	---	---	218.2	81.2
1960-61	173.9	25.3	82.1	---	---	---	281.3	87.0
1961-62	539.0	25.9	47.1	---	---	---	612.0	91.7
1962-63	454.0	24.8	---	---	---	6.7	485.5	93.7
1963-64	311.7	26.5	4.4	---	---	36.5	379.1	97.1
1964-65	157.2	26.2	105.6	---	---	44.7	333.7	86.5
1965-66	26.1	---	38.7	---	---	3.8	68.6	97.0
1966-67	283.9	---	.9	14.2	---	18.4	317.4	96.1
1967-68	357.1	---	---	---	---	7.1	364.2	103.1
1968-69	268.8	---	45.4	---	---	13.1	327.3	101.9
1969-70	168.6	---	107.1	7.8	---	7.4	290.9	102.9
1970-71	315.4	---	91.6	3.2	---	11.6	421.8	91.8
1971-72	267.0	---	63.9	---	---	7.3	338.2	93.6
1972-73	135.8	---	15.4	0.1	---	1.5	152.8	90.8
1973-74	31.4	---	10.8	13.7	15.0	---	70.9	50.2
1974-75	485.8	---	6.5	---	3.8	---	496.1	122.9
1975-76	69.6	---	4.1	---	2.8	---	76.5	144.0
Transition quarter*	43.5	---	1.0	---	---	---	44.5	25.5
1976-77	709.8	---	---	---	4.5	---	714.3	109.7
1977-78	446.4	---	---	---	5.0	---	451.4	137.8
1978-79	244.3	---	---	---	6.3	---	250.6	134.1
1979-80	1,294.0	---	---	---	5.8	---	1,229.8	156.8

1/ CCC support purchases and related costs (for processing, packaging, transporting and storing) of dairy products, less proceeds from sales to commercial buyers for domestic use and for export, U.S. military agencies, foreign government and private welfare agencies, and Section 32 programs.

2/ CCC reimbursements to U.S. military agencies, Veterans' Administration and other participants.

3/ Expenditures of Section 32 funds to buy dairy products in the market and from CCC for school lunch and welfare uses.

4/ Purchases of dairy products at market prices under Sec. 709 of the Food and Agriculture Act of 1965 and under Sec. 4(a) of the Agriculture and Consumer Protection Act of 1973, for domestic school lunch and welfare uses.

5/ Value of Payment-in-kind certificates issued by CCC on exports of nonfat dry milk, butter and other high-milkfat products, and CCC cost of exports under Title I, P.L. 480 of dairy products not originating in CCC stocks.

6/ Expenditures under the program to increase milk consumption by children in schools, child-care centers, and similar institutions.

7/ Net receipt due to sales exceeding purchases.

8/ Receipt due to adjustment.

* Start of fiscal year moved to October 1 in 1976.

SOURCE: Agricultural Stabilization and Conservation Service, USDA.

Table 8--USDA expenditures for dairy products, fiscal year ending September 30, 1980

Item	Value						Quantity			
	Butter and butter products	Cheese: American	Cheese: Mozzarella	Nonfat dry milk	Condensed and evaporated milk	Total	Butter and butter products	Cheese: American	Cheese: Mozzarella	Nonfat dry milk
	Million dollars						Million pounds			
CCC outlays										
Purchases	326.1	418.8	24.1	493.4		1,262.4	236.2	310.1	18.8	559.4
Storage, handling	6.5	2.0	---	5.3		13.8				
Transporation	6.6	6.3	0.8	13.1		26.8				
Processing, packaging	4.2	2.5	1/ 28.2	15.4		50.3				
Total carrying charges	17.3	10.8	29.0	33.8		90.9				
Total outlays	343.4	429.6	53.1	527.2		1,353.3				
Sales, proceeds										
Dollar sales	1.1	0.4	---	2/ 59.6		61.1	1.3	0.3	---	163.8
Donations-School and needy	92.0	54.6	32.0	22.9		201.5	65.4	41.4	22.4	30.7
P.L. 480, Title II	---	---	---	3/ 26.9		26.9	---	---	---	4/ 167.5
Other receipts	0.4	0.2	---	1.5		2.1	0.3	0.2	5/	2.3
Total	93.5	55.2	32.0	110.9		291.6	67.0	41.9	22.4	364.3
Expenditures										
CCC net expenditures	249.9	374.4	21.1	416.3	---	1,061.7				
Section 4(a)	---	---	---	---	5.8	5.8				
P.L. 480, Title II	---	---	---	2/ 30.8		30.8				
Donations-School and needy	92.0	54.6	32.0	22.9	---	201.5				
USDA net expenditures	341.9	429.0	53.1	470.0	5.8	1,299.8				

1/ The cost to process 19.8 million pounds of CCC-owned nonfat dry milk into Mozzarella cheese.
2/ Includes $1.2 million, the value of sales to Army for export.
3/ Includes 6.2 million used in CSM.
4/ Includes 38.6 million pounds as an ingredient in CSM.
5/ Less than 50,000 pounds.

SOURCE: Agricultural Stabilization and Conservation Service, USDA.

Uncommitted CCC stocks

Item	November 30	
	1979	1980
	Million pounds	
Butter	142.6	274.1
American cheese	19.9	184.0
Nonfat dry milk	381.1	521.4

FOREIGN TRADE AND TRENDS

Importation Pace Picks Up

U.S. dairy product imports during September and October on a milk equivalent fat solids basis were 454 million pounds, 16.5 percent above a year ago—the first time since February that imports have been above year-earlier levels. January-October imports equaled 1.48 billion pounds of milk, 9 percent less than a year ago (table 9).

September-October imports of cheese on a product weight basis were up over a fourth from last year, as nonquota types were up over a half and quota types increased over a fifth. However, total cheese imports over the first 10 months of this year were only 93 percent of last year, as the volume of nonquota was such that even a substantial increase was not enough to offset lower imports of cheese subject to quota. Since quota cheese imports are five times the amount of nonquota cheese imports, the lower importation of cheese subject to quota probably reflects a better picture of the weak demand for cheese within the U.S. so far this year.

Imports of quota cheese from January to October were 84 percent of 1979 on a product weight basis. Swiss cheese imports were down about 20 percent compared with 1979, while Italian cheese imports were down 6 percent. American-type cheese imports, which were below year earlier levels through August, moved above in September and exceeded January-October 1979 imports by more than a fourth. Meanwhile, Blue Mold and Edam and Gouda imports were up over 16 percent from year-ago levels. Of the other quota items, imports of chocolate crumb and dried buttermilk and whey were substantially higher than in 1979, while butter, ice cream, and frozen cream were down by more than 20 percent.

U.S. dairy trade (milk equivalent)

Year and quarters	Imports		Exports	Shipments[1]
	Cheese	Other		
	Million pounds			
1979				
1st	251	133	98	150
2nd	432	44	90	167
3rd	517	34	74	143
4th	829	65	100	160
Year[2]	2,028	276	362	620
1980				
1st	224	142	108	135
2nd	321	35	88	139
3rd	489	17	291	142

[1] To U.S. territories. [2] May not add due to rounding.

The data for nonquota cheese show a substantial increase in imports for the first 10 months of this year when compared with last year, even after allowing for noncomparable data for 1979 on imports of soft-ripened cows milk cheese. Meanwhile, imports of lactose (milk sugar) and casein—both nonquota products—for the 10-month period were up 63 percent and 5 percent, respectively.

The milk equivalent (fat solids basis) of imports during the last 2 months of 1980 is not expected to exceed year-ago levels. This seems likely for two reasons: 1) importers may not build inventories given high carrying costs (high interest rates); and 2) imports during late 1979 may have been abnormally heavy because importers advanced their orders in anticipation of delays in the implementation of the quota provisions of the Trade Agreements Act of 1979.

The Act, which implemented the results of the Tokyo Round of Multilateral Trade Negotiations, increased U.S. cheese import quotas to 240.1 million pounds effective January 1, 1980. However, the Act brought under absolute quota most of the so-called "pricebreak" cheeses, which previously had been free of quota. In addition, the Act allows foreign nations to subsidize exports of quota type cheese to the U.S. as long as the prices of such imports do not undercut prices of domestically produced cheese of a similar type. Thus, with cheese demand in 1981 likely to be improved because of much higher meat prices, 1981 quota cheese imports may reach 240 million pounds. Therefore, milk equivalent imports for 1981 are expected to total about 2.4 billion pounds.

Milk equivalent exports during July-October at 459 million pounds, were more than 4 times the 1979 level, after being down slightly during the second quarter. Exports for January-September were up 121 percent, with more than a sixfold increase in dried whole milk leading the way (figure 13). Milk equivalent shipments to U.S. territories for the January to September period were down about a tenth from 1979.

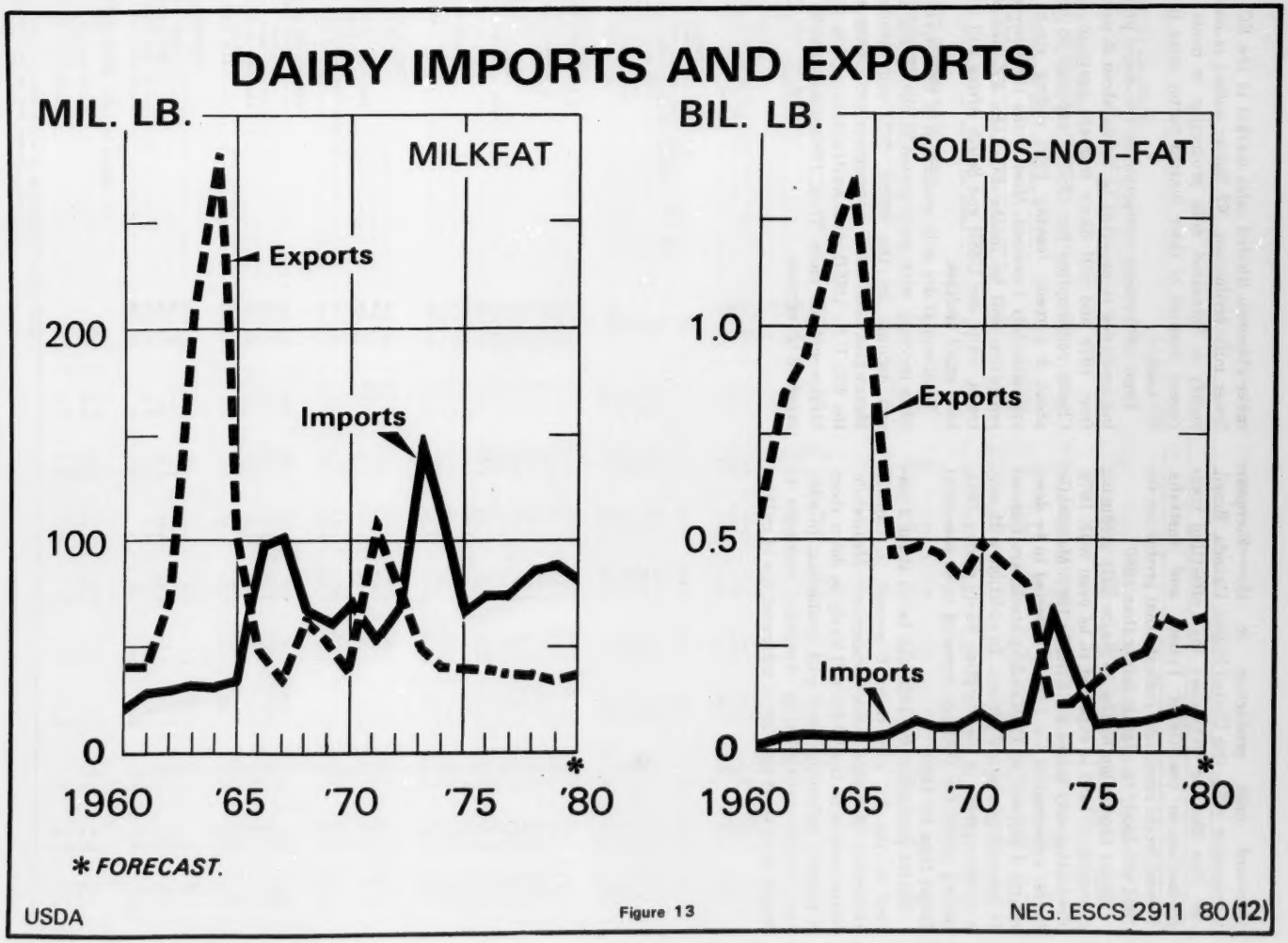
World Dairy Products—Supply and Use

For the 36 major milk-producing countries of the world, cow's milk production in 1980 is expected to be up about 1 percent from the 1979 total of 386.2 million metric tons. This expansion is the result of

Table 9.--Dairy Products: U.S. Imports, quota and non-quota, total 1979, and January-October, 1979-80 1/

Product	Calendar year quota	1979 imports	October			Cumulative, January-October		
			1979	1980	1980 as a % of 1979	1979	1980	1980 as a % of 1979
	Thousand pounds				Percent	Thousand pounds		Percent
Cheese, quota types								
American-Cheddar	12,205.3	6/ 10,257	239	953	399	5,676	7,795	137
-Other	7,545.4	6/ 7,707	388	1,569	404	2,761	3,032	110
Italian-Original loaves	12,374.4	6,695	691	582	84	5,029	4,754	95
-Other	1,550.0	997	126	63	50	775	690	89
Edam and Gouda-Natural	9,208.6	8,559	834	1,037	124	5,319	6,350	119
-Processed	3,151.3	1,283	438	98	22	987	1,020	103
Blue Mold	5,469.6	4,335	385	724	188	2,974	3,456	116
Swiss-Emmenthaler 2/	70,288.1	75,329	7,252	7,584	105	56,878	45,411	80
-Gruyere process 2/	15,597.2	18,642	2,834	1,651	58	13,215	11,077	84
Other-Over 0.5 % fat 3/	90,192.1	88,626	6,711	10,222	152	56,817	40,748	72
-Under 0.5 % fat 3/	12,621.1	4,869	251	809	322	946	3,361	355
Total	240,143.1	227,299	20,149	25,290	126	151,376	127,695	84
Cheese, non-quota types								
Other cow's milk cheeses 4/		---	---	1,074	---	---	9,365	---
Miscellaneous 5/		1,261	159	136	86	900	708	79
Pecorino		18,400	1,528	2,612	171	13,707	16,983	124
Roquefort		1,328	150	150	100	1,078	1,047	97
Total		20,989	1,837	3,972	216	15,685	28,102	179
Total cheese, Quota and Non-quota	240,243.1	248,289	21,986	29,262	133	167,063	155,797	93
Other quota products								
Butter	707.0	6/ 809	73	75	103	576	417	72
Butteroil	1,200.0	1,200	---	---	---	1,200	1,200	100
Butterfat mixtures	2,580.0	2,545	267	343	128	2,064	1,878	91
Ice cream	3,377.3	2,497	---	9	---	1,911	1,167	61
Frozen cream	12,540.0	12,315	1,568	295	19	11,166	8,763	78
Nonfat dry milk	1,807.0	6/ 2,178	1	---	---	6/ 1,820	6/ 4,724	260
Dried buttermilk and whey	496.0	317	40	80	200	40	339	848
Evaporated milk	1,312.0	1	---	1	---	1	1	100
Condensed milk	4,079.0	383	13	61	469	299	297	99
Chocolate crumb-Regular	21,409.0	11,651	1,472	478	32	8,476	11,389	134
-Lowfat	4,680.0	3,446	636	80	13	3,087	1,328	43
Animal feed with milk solids	16,300.0	15,695	1,533	1,960	128	14,222	13,314	94
Non-quota products								
Casein		150,827	7,713	12,286	159	121,688	127,871	105
Lactose		1,983	119	117	98	1,584	2,579	163
Milk equivalent, fat solids basis, total all products	2,231,498	2,304,681	208,769	247,606	119	1,620,036	1,475,876	91

1/ Preliminary. 2/ 1979 imports include Swiss-types which were not subject to quota prior to January 1, 1980. 3/ 1979 imports include cheeses which prior to January 1, 1980 were not subject to quota. 4/ Primarily soft, ripened cheeses. No applicable comparison to prior years. 5/ Gjetost, Bryndza, Gammelost and Noekkelost, and Goya. 6/ Probable error in reported data.


DAIRY IMPORTS AND EXPORTS
MIL. LB.
MILKFAT
Exports
Imports
200
100
0
1960
'65
'70
'75
'80
*
BIL. LB.
SOLIDS-NOT-FAT
1.0
0.5
0
* FORECAST.
USDA
Figure 13
NEG. ESCS 2911 80(12)

increased milk production in the European Community (EC), the United States, Canada, Brazil, and New Zealand (NZ) more than offsetting lower production in the USSR, Poland, and Australia. Present world conditions indicate that production for 1981 will likely be slightly larger than 1980.

Butter production by the 36 major milk producing countries in 1980 is expected to be even with 1979. Production may increase a little in 1981. Meanwhile, butter consumption for 1980 is expected to be down nearly 3 percent, so 1980 ending stocks are forecast to increase by about 8 percent. In addition, with only a small increase in consumption likely during 1981, ending stocks for 1981 are expected to be somewhat larger than for 1980.

Butter production for 1980 will be up about 2 percent in the EC and about 5 percent in Canada, reflecting increased milk production. Meanwhile, butter output in the USSR will likely be down about 5 percent, reflecting lower milk production. In addition, butter production in Australia continues to adjust downward because of increased use of milk to make cheese, a limited sales market in the EC, and lower milk production. NZ butter output is holding steady as increased milk production is made into cheese, because of their limited butter sales to the EC market.

Total 1980 cheese production by the major producing countries is expected to be up about 3 percent from 1979 and will likely increase again in 1981. Cheese consumption for 1980 is expected to be up about 2 percent, leaving 1980 ending stocks up approximately 1 percent. Most of the 1980 increased production will be in the EC, U.S., NZ, and Australia, while the USSR and South Africa will likely have small declines.

Total nonfat dry milk production in 1980 is expected to increase, with gains posted by the EC and U.S., and declines by the USSR, NZ, and Australia. Meanwhile, total 1980 consumption will decline, with the EC, U.S., USSR, and Australia using less while Mexico will use more. Thus, 1980 ending stocks are expected to increase.

Table 10.--U.S. Dairy Situation at a Glance

Item	Unit or base period	1978	1979					1980		
		Oct.	Aug.	Sept.	Oct.	Nov.	Year	Aug.	Sept.	Oct.
Production and cow numbers:										
Total milk	Mil. lb.	9,795	10,439	10,014	10,108	9,657	123,623	10,786	10,352	10,454
Milk per cow	Lb.	904	971	929	936	895	11,471	993	952	960
Number of milk cows	Thou.	10,830	10,755	10,785	10,795	10,794	10,777	10,864	10,876	10,884
Prices received by farmers:										
All milk, sold to plants, 100 pounds	Dol.	11.30	12.00	12.30	12.60	12.90	12.00	12.80	13.20	13.70
Percentage of parity 1/	Pct.	.75	.75	.74	.73	.74	.74	.71	.70	.70
Manufacturing grade milk, 100 pounds	Dol.	10.50	11.10	11.40	11.60	11.70	11.10	11.80	12.20	12.70
Parity equivalent	Dol.	12.41	14.18	14.36	14.44	14.53	14.11	16.19	16.37	16.46
Fat content	Pct.	3.77	3.55	3.64	3.76	3.85	3.68	3.53	3.64	3.77
Minnesota-Wisconsin (3.5% fat), 100 pounds	Dol.	10.18	11.09	11.32	11.25	11.27	10.91	11.86	12.07	12.42
Milk eligible for fluid market, 100 pounds	Dol.	11.50	12.20	12.50	12.80	13.10	12.20	13.00	13.40	13.90
Price ratios and dairy ration values:										
Milk-feed 2/	Lb.	1.64	1.51	1.54	1.55	1.59	1.54	1.42	1.39	1.42
Manufacturing grade milk-hog	Lb.	.21	.31	.31	.34	.34	.27	.26	.26	.27
Manufacturing grade milk-beef	Lb.	.20	.18	.17	.18	.18	.17	.18	.19	.21
Value of concentrate ration fed milk cows	Dol.	6.05	---	---	6.85	---	6.68	---	---	7.61
Farm cash receipts from dairy products	Mil. dol.	1,100	1,238	1,215	1,251	1,214	14,750	1,369	1,325	N.A.
Production of factory products:										
Butter	Mil. lb.	70.6	64.3	60.5	78.0	75.8	984.6	77.7	77.2	89.6
American cheese, whole milk	Mil. lb.	156.7	180.3	167.7	174.4	161.4	2,187.7	192.7	181.5	186.0
Cheese, other than American	Mil. lb.	122.6	128.7	122.9	133.6	128.1	1,527.6	124.0	133.5	142.1
Canned milk, unskimmed	Mil. lb.	60.7	67.7	62.2	59.8	58.6	796.1	57.8	56.2	50.4
Dry whole milk	Mil. lb.	5.0	7.6	5.6	5.7	7.3	85.3	6.2	6.2	8.2
Frozen products 3/	Mil. gal.	92.1	122.4	99.6	92.8	76.3	1,152.9	119.7	103.6	92.9
Creamed cottage cheese	Mil. lb.	71.9	73.6	66.2	71.2	63.8	837.8	71.9	70.7	69.1
Total whole milk equivalent 4/	Mil. lb.	4,808	5,550	4,925	5,216	4,766	65,839	5,897	5,398	5,601
Nonfat dry milk, human use	Mil. lb.	48.1	79.8	55.9	58.3	56.3	908.7	102.1	75.8	74.2
Wholesale prices:										
Butter, Grade A, Chicago, pound	Ct.	115.6	128.7	127.8	128.8	130.0	122.4	144.5	145.1	147.1
Cheese, American (40-pound blocks), f.o.b. Wisconsin assembling points, pound	Ct.	115.5	128.5	131.5	128.8	125.8	123.8	132.6	136.9	141.2
Evaporated milk, case	Dol.	16.57	17.97	18.30	18.54	18.72	17.92	19.83	20.01	20.41
Dry whole milk, pound	Ct.	94.9	103.3	105.0	105.2	105.3	101.4	111.2	113.2	114.1
Nonfat dry milk, pound	Ct.	73.2	80.1	80.7	83.4	84.0	80.0	89.2	89.7	92.2
Dairy products (BLS)	1967=100	197.0	215.2	218.3	218.1	219.3	211.2	233.0	234.1	238.4
Retail prices (BLS):										
Consumer price index 5/	1967=100	200.9	221.1	223.4	225.4	227.5	217.4	249.4	251.7	253.9
All food 5/	1967=100	216.8	236.3	237.1	238.2	239.1	234.5	258.7	261.1	262.4
All dairy products 5/	1967=100	191.1	208.6	211.3	213.3	216.0	207.1	229.7	230.6	232.7
Fluid milk and cream	12/77=100	107.8	117.7	119.0	120.3	121.9	116.8	127.9	128.0	129.1
Whole milk	1967=100	176.5	192.8	195.4	197.6	200.4	191.4	209.8	209.7	211.3
Other	12/77=100	107.6	117.4	118.1	119.2	120.6	116.4	127.1	127.7	129.1
Manufactured dairy products	12/77=100	108.3	118.2	120.1	120.9	122.3	117.4	132.5	133.6	134.9
Butter	1967=100	189.3	203.0	209.9	213.3	214.4	202.9	231.2	236.2	238.9
Cheese	12/77=100	107.8	118.4	120.1	121.0	122.7	117.7	130.4	132.3	133.4
Frozen desserts	12/77=100	108.0	117.8	120.1	120.4	121.4	117.0	137.0	135.7	138.0
Other	12/77=100	107.0	115.4	115.5	116.4	117.8	114.0	128.3	128.9	129.0
Margarine	1967=100	231.6	240.3	245.5	244.4	246.2	240.3	249.3	249.2	254.2
Stocks, end of month:										
Creamery butter	Mil. lb.	251.8	239.1	220.4	200.5	182.1	---	306.4	304.9	299.3
Cheese, total 6/	Mil. lb.	486.1	558.8	551.2	536.5	528.3	---	670.4	680.0	693.4
Canned milk, unskimmed	Mil. lb.	113.8	131.9	129.5	119.0	88.7	---	132.4	120.4	94.1
Dry whole milk	Mil. lb.	5.3	7.2	6.1	4.9	4.9	---	4.5	2.9	3.4
Total whole milk equivalent 7/	Mil. lb.	10,052	10,487	10,027	9,420	8,883	---	12,912	12,939	12,891
Nonfat dry milk	Mil. lb.	637.1	560.4	549.6	516.4	485.2	---	582.4	598.9	575.5
Commercial disappearance:										
Creamery butter	Mil. lb.	72.8	66.2	63.4	78.4	84.4	895.0	73.9	77.4	68.8
Cheese, American	Mil. lb.	171.7	182.3	171.5	193.1	169.1	2,110.9	172.2	167.0	182.5
Cheese, other than American	Mil. lb.	147.7	152.3	147.0	149.4	151.5	1,730.7	139.6	155.9	165.3
Canned milk, unskimmed	Mil. lb.	81.2	69.5	63.6	69.1	87.3	773.7	52.4	67.3	74.6
Milk in all products	Mil. lb.	10,043	10,507	10,119	10,287	9,985	120,372	10,440	10,240	10,038
Nonfat dry milk	Mil. lb.	52.6	78.0	60.1	42.8	41.4	603.1	62.8	75.8	36.4
USDA net removals:										
Butter	Mil. lb.	---	-2.4	---	9.8	8.4	81.6	-2.7	.7	16.5
Cheddar cheese	Mil. lb.	---	.3	---	.7	6.4	40.2	45.3	19.2	8.8
Nonfat dry milk	Mil. lb.	6.9	15.0	10.0	18.6	23.6	255.3	48.5	33.9	38.3
Evaporated milk	Mil. lb.	1.8	1.2	1.1	1.1	1.7	16.4	1.5	1.0	2.1
Total whole milk equivalent	Mil. lb.	4	-44	2	211	240	2,119	395	207	432
Fluid sales, change from year earlier: 8/										
Whole milk	Pct.	-1.8	-2.0	-4.8	-2.9	-2.7	-2.9	-2.7	-4.2	N.A.
Low-fat and skim milk	Pct.	+4.7	+4.8	+4.4	+5.1	+3.5	+4.4	+4.6	+6.6	N.A.
Total fluid milk	Pct.	+ .6	+ .5	-1.5	+ .2	0	- .2	+ .3	+ .3	N.A.
Cream and cream mixtures	Pct.	-4.0	+ .8	+ .6	+ .4	+1.1	+1.3	+ .8	N.A.	N.A.

1/ Seasonally adjusted prices as percentage of parity price.
2/ Different series than formerly published.
3/ Ice cream, ice milk, and sherbet.
4/ Includes manufactured products for which current monthly series are available.
5/ For all urban consumers starting January 1978.
6/ Natural, plus process American cheese held by CCC.
7/ Excludes cream and bulk condensed milk.
8/ Daily average sales in Federal and State Marketing areas.
9/ Less than 50,000 pounds.
N.A. Not Available

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